

## **Assembly Bill No. 1150**

### **CHAPTER 188**

An act to add Section 1389.6 to the Health and Safety Code, and to add Section 10385 to the Insurance Code, relating to health care.

[Approved by Governor July 22, 2008. Filed with  
Secretary of State July 22, 2008.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

AB 1150, Lieu. Health care coverage: underwriting practices.

The Knox-Keene Health Care Service Plan Act of 1975, the willful violation of which is a crime, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care. Existing law also provides for the regulation of health insurers by the Insurance Commissioner. Under existing law, persons retained by a health care service plan or a disability insurer to review claims for health care services may not be compensated based either on a percentage of the amount by which a claim for payment is reduced or on the number of claims or the cost of services for which the person has denied authorization or payment.

This bill would prohibit the compensation of a person or entity employed by, or contracted with, a health care service plan or disability insurer from being based on, or related to, the number of health care service plan or health insurance contracts, policies, or certificates that the person has caused or recommended to be rescinded, canceled, or limited, or the resulting cost savings to the plan or insurer. The bill would also prohibit a plan or insurer from setting performance goals or quotas, or providing compensation to any person or entity employed by or contracted with the plan or insurer, based on the number of persons whose health coverage is rescinded or any financial savings to the plan or insurer associated with rescission of coverage. Because this bill would create a new prohibition applicable to health care service plans, the willful violation of which would be a crime, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

*The people of the State of California do enact as follows:*

**SECTION 1.** Section 1389.6 is added to the Health and Safety Code, to read:

1389.6. Compensation of a person or entity employed by, or contracted with, a health care service plan shall not be based on, or related in any way to, the number of contracts that the person or entity has caused or recommended to be rescinded, canceled, or limited, or the resulting cost savings to the health plan. A health care service plan shall not set performance goals or quotas, or provide compensation to any person or entity employed by, or contracted with, the health care service plan, based on the number of persons whose coverage is rescinded or any financial savings to the health care service plan associated with rescission of coverage.

SEC. 2. Section 10385 is added to the Insurance Code, to read:

10385. Compensation of a person or entity employed by, or contracted with, a disability insurer shall not be based on, or related in any way to, the number of policies or certificates for health insurance that the person or entity has caused or recommended to be rescinded, canceled, or limited, or the resulting cost savings to the insurer. A disability insurer shall not set performance goals or quotas, or provide compensation to any person or entity employed by, or contracted with, the insurer, based on the number of persons whose health insurance coverage is rescinded or any financial savings to the insurer associated with rescission of coverage.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.